

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

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Title of the thesis:	Inflation Convergence in the European Union: the effect of monetary regimes, the global financial crisis and the zero lower bound

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

This thesis focuses on a policy-relevant topic, i.e. convergence of the inflation rates among the EU countries. It analyses to what extent is convergence affected by various monetary policy frameworks, the recent global financial and economic crisis, and by the adoption of *acquis communautaire*. It also provides a comparison between the traditional EU countries and new member states. The conclusions of the thesis look plausible and bring useful insights.

The SUR methodology is one of possible approaches to measuring inflation convergence. Its advantage is that it allows analysing qualitatively the impact of the above-mentioned factors on the speed of convergence. The application of this methodology in the thesis is coherent. My only doubts relate to pages 24-25, where a correlation analysis between inflation differentials (which is a „smooth“ variable) and a dummy variable FiCP is presented. To me, this doesn't make much sense. But given that the dummy FiCP is later on dropped from the analysis anyway, it is not a big issue. I am also not familiar with the wavelet analysis and the charts presented in Appendix B are thus hard to read for me. Perhaps the student could explain one of those charts at the defence.

The literature review seems comprehensive; both in the sense that it covers different methodologies for analysing inflation convergence, and that it covers older as well as very recent papers.

The thesis has a logical form, is written in good English and is relatively easy to read. In a few places, I have found minor inaccuracies in the text as regards the EU's institutional design (e.g. Sweden is grouped sometimes with two countries that have an opt-out, i.e. Denmark and UK; footnote 1 does not provide a 100% correct definition of the Maastricht price stability criterion; footnote 5 is not fully precise as regards the ECB's definition of price stability). But these small issues do not spoil an overall positive impression.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Contribution (max. 30 points)	26
Methods (max. 30 points)	26
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	17
TOTAL POINTS (max. 100 points)	89
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Tomáš Holub

DATE OF EVALUATION: 2 June 2017

Referee Signature